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Now what the *Spectator* here calls "a crude fact" is just a plain fake. The *Spectator*, along with people on both sides of the water, are being grossly deceived in the matter. The truth is that about every dollar which goes into this loan belongs to European capitalists. It is money which they received in former years in settlement of our invisible debts for internal dues, immigrants' remittances, tourists' expenses, ocean freights, etc.

An average estimate by prominent bankers published in the *Wall Street Journal* (1913) puts these debts at \$1,400,000,000. Our yearly trade balance, which, before 1914, averaged \$500,000,000, reduces this deficit to \$900,000,000. One part of this deficit is invested in our stocks and properties. Another part is kept in the form of gold in the banks of J. P. Morgan, Kuhn, Loeb & Co. and other international bankers, who invest part of it temporarily in short loans and loans to banks, and on the Stock Exchange. These loans have been renewed and carried over year after year until, at the opening of the war, they had reached an enormous total. This is the money which is now being invested in the foreign loan. Hence it is just as much a loan of European capital to European Governments as if it was floated in London and Paris. The few private individuals here who may take some of the bonds are British and French citizens temporarily residing here.

For months before the loan was floated here financial critics claimed that the decline of foreign exchange, from 4.86 to around 4.70 and lower, proved that England was unable to pay her debts and was in danger of bankruptcy. Dr. E. E. Pratt, chief of the Bureau of Commerce, claimed that Europe owed us \$900,000,000. Speaking to a representative of the *Brooklyn Eagle* (September 12), a member of the Morgan firm said:

This talk that England is going bankrupt because of the present condition of foreign exchange is simply ridiculous. As a matter of fact, Great Britain has financed her war for one year ahead. Her bills for the next twelve months are mostly paid. "Well then," queried the reporter, "to what do you attribute the present attitude of a great number of people who ought to understand the situation?" "I attribute it to hysteria: the same kind of hysteria that made people go about howling calamity at the beginning of the war when we had to pay \$7 for a pound sterling."

Now the "people" who indulged in this "ridiculous talk" and "hysteria" include nearly every financial critic on the New York and London newspapers, not forgetting the *Spectator*. The fact that England has paid her war bills for twelve months ahead proves that they were grossly ignorant of the international money situation. They should publicly challenge this statement in the *Eagle*. If they do not, the public will accuse them of exploiting a financial fake.

W. H. ALLEN.

BROOKLYN, N. Y.

THE NOVEMBER EDITORIALS

SIR,—Your editorials in the November issue are masterful and should be read by every American citizen, whether he may have a hyphen in his nationality or not.

DOUGLAS B. CRANE,

Member of Advisory Board of the American Legion.

OKLAHOMA CITY, OKLA.